

Memorandum

To: Melissa Jones
Executive Director

Date : August 23, 2010

Telephone: CALNET (654) 4628

From : California Energy Commission - PAT PEREZ, Deputy Director,
1516 Ninth Street
Sacramento CA 95814-5512
FUELS AND TRANSPORTATION

Subject: RECOMMENDATION TO APPROVE A \$4,356,500.00 LOAN WITH THE AMERICAN RECOVERY AND REINVESTMENT ACT (ARRA) FUNDS TO QUANTUM FUEL SYSTEMS TECHNOLOGIES WORLDWIDE, INC. (QUANTUM) THROUGH THE CLEAN ENERGY BUSINESS FINANCING PROGRAM (CEBFP) TO BE CONSIDERED AT THE SEPTEMBER 8, 2010 BUSINESS MEETING

Summary of Item

Quantum submitted an application through the CEBFP. Staff recommends funding Quantum \$4,356,500.00 for the purchase of fixed-asset manufacturing equipment and eligible installation costs at their manufacturing facility in Irvine, CA.

Justification for Action Requested

Staff reviewed 44 applications for funding through the CEBFP. The four program areas evaluated included job creation/retention, energy saved, leveraged financing, and an economic adjustment for manufacturing job loss. Applications were then submitted to the financial development corporations (FDCs) through the Business, Transportation, and Housing Agency (BTH) where they underwent rigorous business credit analysis. CEBFP awardee's that scored high in these categories were deemed eligible for funding depending on CEBFP loan capacity available.

Quantum's application was ranked number 6 with a final score of 73. The project will have a production capacity of 45 megawatts (MW) annually. The project will create and/or retain an estimated 94 full-time equivalent jobs. The estimated annual production of photovoltaic solar modules at the facility using CEBFP funding will offset 29,834 tons of carbon dioxide (CO2) per year.

The total project cost is \$15,000,000.00 of which Quantum will be providing \$10,643,500.00 in leveraged financing. Upon completion of installation, the loan will be repaid in 84 monthly payments.

Staff recommends approval of CEBFP funding in the amount of \$4,356,500.00.

Project Manager

Larry Rillera, Special Projects Office

Oral Presentation

Staff will be prepared to discuss this recommendation and to respond to questions at the Business Meeting.

Business Meeting Participants

Larry Rillera, Special Projects Office
Marcia Smith, Special Projects Office
Jacob Orenberg, Special Projects Office
Michael Doughton, Legal

Commission Action Requested

Approve the CEBFP loan and authorize the Executive Director to execute the loan documents.

PAT PEREZ, Deputy Director
FUELS AND TRANSPORTATION DIVISION

Pros:

- Will create an estimated 94 full-time equivalent jobs, costing \$46,346 of federal funds per job, enabling California and the United States to meet the goals of the American Recovery and Reinvestment Act.
- Will grow in-state clean energy manufacturing products that would be used in Energy Commission programs for energy efficiency and renewable energy.
- Annual production will produce an estimated 86,475,362 kWh per year of renewable energy, promoting the Energy Commission's Loading Order.
- Annual production will offset carbon dioxide emissions by an estimated 29,834 tons per year, enabling California to meet the goals of AB 32.

Cons:

- None

What Happens Next: Staff will conduct kick-off meeting at Quantum's manufacturing facility. Elements will include site verification, review ARRA reporting procedures, and assess field, business, and financing conditions.